

About this guide

This guide explains what to do if you are bankrupt and wish to enter into a fast-track voluntary arrangement (FTVA)

What is an FTVA?

An FTVA is a binding agreement with your creditors to pay all or part of the money you owe them. You can only enter into an FTVA after you have been made bankrupt. In an FTVA you prepare a proposal to put to your creditors and send it to the official receiver. If the official receiver thinks your proposal has a reasonable chance of being accepted by your creditors and of being implemented, they will tell you that they agree to act as your nominee and will put your proposal to your creditors. If your creditors accept your proposal the official receiver will then act as your supervisor, looking after the arrangement and making payments to your creditors in accordance with your proposal.

What happens to the bankruptcy order made against me?

Once your creditors have approved the FTVA, the official receiver will apply to court for the bankruptcy order to be annulled. ('Annulled' means wiped out, as if it had never existed.) This will usually happen about 5-7 weeks after the FTVA has started. Once the bankruptcy order has been annulled, you will no longer be subject to any of the bankruptcy restrictions, and if any assets (such as your home) were not included in your FTVA for distribution to your creditors, these will be returned to you. The official receiver will tell anyone he/she notified of the bankruptcy order that you are no longer bankrupt. Details of your bankruptcy will be removed from the individual insolvency register.

How does an FTVA differ from an individual voluntary arrangement (IVA)?

An IVA is also a procedure by which you can reach a legally binding agreement with your creditors to pay all or part of your debts, but the nominee and supervisor must be an insolvency practitioner. You can enter into an IVA after bankruptcy, but it is more often used as a way of avoiding bankruptcy.

Insolvency practitioners' charges vary, but they are usually accountants or solicitors and their fees will be similar to those they charge for other kinds of work.

How does an FTVA work?

You must draw up a proposal to your creditors to pay part or all of your debts. The proposal must contain:

- details of your debts;
- the assets available to be sold;
- payments you are willing to make to your creditors;
- how long you will take to make these payments;
- details of the fees and costs of administering the FTVA.

The official receiver, as nominee, will put your proposal to your creditors so that they can vote on whether or not to accept it. If they accept it, the agreement is binding and prevents them taking legal action against you to enforce their debts. You, in turn, must deliver up the assets and make the payments offered in your proposal.

You commit a criminal offence if you make any false statement or fraudulently do or omit to do anything to get your creditors' approval of your FTVA.

Who can enter into an FTVA?

You can enter into an FTVA only if you have been made bankrupt. The procedure is designed to

deal only with straightforward sales or disposals of assets and the collection of regular payments. So if you have a lot of assets to be sold an FTVA is probably not for you.

The official receiver will consent to act as supervisor only if your FTVA proposal will provide a return to creditors significantly better than they would have received in your bankruptcy. So, if you wish to propose an FTVA, you must offer your creditors something extra. For example, you might offer money from a third party or payments from your income for longer than you would in your bankruptcy; that is, for more than 3 years.

How much will an FTVA cost me?

The official receiver charges a fixed fee of £300 for acting as nominee, which you must pay at the time you submit your proposal. If the official receiver declines to act as nominee, the fee will be credited to your bankruptcy estate and may be returned to you later. In all other circumstances this fee is non-refundable. If your creditors accept your proposal, the official receiver's fee for acting as supervisor will be 15% of the amount raised from the sale of assets and/or collected from you.

Before any money is distributed to your creditors, half the case administration fee charged by the official receiver to deal with your bankruptcy (£857.50) will be recovered from the money collected. Also, if you were made bankrupt on the petition of one of your creditors, you must repay their costs.

In addition, there is a fee of £15 for registering the FTVA with the Secretary of State, which means that details of your FTVA will be entered on the individual insolvency register. This is also payable at the time you submit your proposal. If the official receiver declines to act as nominee or if your proposal is not accepted by your creditors, this fee will be credited to your bankruptcy estate and may be returned to you later.

What should I do if I want to propose an FTVA?

You should tell a member of the official receiver's staff - this might be during your bankruptcy interview or at a later date. You will be given or sent some forms to complete. When completed, these forms will represent your proposal. They will include several standard terms and conditions and will already show details of the assets and debts that you told the official receiver about. You should provide whatever extra information the forms ask for and return them to the official receiver with the required fee. If you would like guidance on completing your FTVA proposal, then you should contact the official receiver. You can obtain a copy of the FTVA proposal on our website or from the official receiver.

Once the official receiver has received the completed proposal forms and the fee they will examine your proposal and decide whether to act as nominee. They may ask you to provide more information to help them make that decision.

What happens if the official receiver does not agree to act as nominee?

Only the official receiver can agree to act as nominee in an FTVA, but they do not have to agree to do so. They will agree to act only if they believe your proposal has a reasonable chance of being accepted by your creditors and implemented. They will not agree to act if your affairs are complicated.

If the official receiver declines to act as nominee you may, if you wish, consult an insolvency practitioner to see if they will act as nominee in an IVA.

Otherwise, the official receiver will continue with your bankruptcy proceedings. Our publication '**Guide to Bankruptcy**' can give you further information.

What happens once the official receiver is nominee?

The official receiver will send a copy of your proposal to each of your creditors so that they may vote on whether to accept it. Creditors who receive notice of your proposal will be bound by the FTVA. If you do not name a particular creditor, that creditor would be able to apply for the FTVA to be revoked once they became aware of it. So it is **very** important to make sure you have told the official receiver about everyone you owe money to.

For the FTVA to be accepted, 75% or more of the creditors who vote must agree to the proposal. After that, the official receiver becomes supervisor of the FTVA and is responsible for realising the assets, collecting payments due under the arrangement, and then paying that money to your creditors. You must co-operate in helping the supervisor to realise your assets and by making the agreed payments.

How long will the FTVA last?

There is no set time for an FTVA - the duration will normally be set out in the proposal. For example, you may offer to make regular payments from your income for a set number of years. If your proposal is based on the payment of a lump sum by a third party or the sale of assets, the FTVA will last until the supervisor has collected in the money or sold the assets and distributed the proceeds to your creditors.

What happens if I do not comply with the terms of the FTVA?

If you do not deliver up any assets included in the proposal or keep up the agreed payments, the FTVA will fail. If you have deliberately not complied with the terms of the arrangement, but are still able to make payments, the official receiver will make you bankrupt again.

If the failure is not your fault, for example because you have been made redundant, the official receiver will terminate the FTVA, but will take no further action. However, your creditors will then be able to take action against you to recover the full amount you owe them, including petitioning for your bankruptcy.

How can I find out more?

This leaflet is for general guidance only. If you have further questions about the procedures involved in proposing an FTVA, you should ask your professional adviser or the trustee handling your bankruptcy.

Please note that The Insolvency Service and official receivers cannot give legal or financial advice. You should seek this from a solicitor, a qualified accountant, an authorised insolvency practitioner or a reputable financial adviser or advice centre.

Further information about bankruptcy is available in the following Insolvency Service publications:

- **Guide To Bankruptcy**
- **Can my bankruptcy be cancelled?**
Information on the annulment of a bankruptcy order

You can obtain further copies of this booklet from the BERR Publications Orderline by email: publications@berr.gsi.gov.uk

You may also order copies of our publications by telephone by calling the Publications Orderline on 0845 015 0010. You may also fax orders to the Orderline on 0845 015 0020. Minicom users should telephone 0845 015 0030.

Publications are also available on our website www.insolvency.gov.uk

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